

portion of the cost of the property allocable to the sewage treatment function is taken into account as an expenditure to provide sewage facilities. The portion of the cost of property allocable to the sewage treatment function is determined by allocating the cost of that property between the property's sewage treatment function and any other uses by any method which, based on all the facts and circumstances, reasonably reflects a separation of costs for each use of the property.

(e) *Effective date*—(1) *In general*. This section applies to issues of bonds issued after February 21, 1995.

(2) *Refundings*. In the case of a refunding bond issued to refund a bond to which this section does not apply, the issuer need not apply this section to that refunding bond. This paragraph (e)(2) applies only if the weighted average maturity of the refunding bonds, as described in section 147(b), is not greater than the remaining weighted average maturity of the refunded bonds.

[T.D. 8576, 59 FR 66163, Dec. 23, 1994]

§ 1.142(f)(4)-1 Manner of making election to terminate tax-exempt bond financing.

(a) *Overview*. Section 142(f)(4) permits a person engaged in the local furnishing of electric energy or gas (a local furnisher) that uses facilities financed with exempt facility bonds under section 142(a)(8) and that expands its service area in a manner inconsistent with the requirements of sections 142(a)(8) and (f) to make an election to ensure that those bonds will continue to be treated as exempt facility bonds. The election must meet the requirements of paragraphs (b) and (c) of this section.

(b) *Time for making election*—(1) *In general*. An election under section 142(f)(4)(B) must be filed with the Internal Revenue Service on or before 90 days after the date of the service area expansion that causes bonds to cease to meet the requirements of sections 142(a)(8) and (f).

(2) *Date of service area expansion*. For the purposes of this section, the date of the service area expansion is the first date on which the local furnisher is authorized to collect revenue for the provision of service in the expanded area.

(c) *Manner of making election*. An election under section 142(f)(4)(B) must be captioned “ELECTION TO TERMINATE TAX-EXEMPT BOND FINANCING”, must be signed under penalties of perjury by a person who has authority to sign on behalf of the local furnisher, and must contain the following information—

- (1) The name of the local furnisher;
- (2) The tax identification number of the local furnisher;
- (3) The complete address of the local furnisher;
- (4) The date of the service area expansion;
- (5) Identification of each bond issue subject to the election, including the complete name of each issue, the tax identification number of each issuer, the report number of the information return filed under section 149(e) for each issue, the issue date of each issue, the CUSIP number (if any) of the bond with the latest maturity of each issue, the issue price of each issue, the adjusted issue price of each issue as of the date of the election, the earliest date on which the bonds of each issue may be redeemed, and the principal amount of bonds of each issue to be redeemed on the earliest redemption date;
- (6) A statement that the local furnisher making the election agrees to the conditions stated in section 142(f)(4)(B); and
- (7) A statement that each issuer of the bonds subject to the election has received written notice of the election.

(d) *Effect on section 150(b)*. Except as provided in paragraph (e) of this section, if a local furnisher files an election within the period specified in paragraph (b) of this section, section 150(b) does not apply to bonds identified in the election during and after that period.

(e) *Effect of failure to meet agreements*. If a local furnisher fails to meet any of the conditions stated in an election pursuant to paragraph (c)(6) of this section, the election is invalid.

(f) *Corresponding provisions of the Internal Revenue Code of 1954*. Section 103(b)(4)(E) of the Internal Revenue Code of 1954 set forth corresponding requirements for the exclusion from gross income of the interest on bonds

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issued for facilities for the local furnishing of electric energy or gas. For the purposes of this section any reference to sections 142(a)(8) and (f) of the Internal Revenue Code of 1986 includes a reference to the corresponding portion of section 103(b)(4)(E) of the Internal Revenue Code of 1954.

(g) *Effective dates.* This section applies to elections made on or after January 19, 2001.

[T.D. 8941, 66 FR 4671, Jan. 18, 2001]

§ 1.144-0 Table of contents.

This section lists the captioned paragraphs contained in §§1.144-1 and 1.144-2.

§ 1.144-1 Qualified small issue bonds, qualified student loan bonds, and qualified redevelopment bonds.

(a) Overview.

(b) Scope.

(c) Effective dates.

§ 1.144-2 Remedial actions.

[T.D. 8712, 62 FR 2303, Jan. 16, 1997]

§ 1.144-1 Qualified small issue bonds, qualified student loan bonds, and qualified redevelopment bonds.

(a) *Overview.* Interest on a private activity bond is not excludable from gross income under section 103(a) unless the bond is a qualified bond. Under section 141(e)(1)(D), a qualified small issue bond issued under section 144(a) may be a qualified bond. Under section 144(a), any qualified small issue bond is any bond issued as a part of an issue 95 percent or more of the proceeds of which are to be used to provide certain manufacturing facilities or certain depreciable farm property and which meets other requirements. Under section 141(e)(1)(F) a qualified redevelopment bond issued under section 144(c) is a qualified bond. Under section 144(c), a qualified redevelopment bond is any bond issued as a part of an issue 95 percent or more of the net proceeds of which are to be used for one or more redevelopment purposes and which meets certain other requirements.

(b) *Scope.* Sections 1.144-0 through 1.144-2 apply for purposes of the rules for small issue bonds under section 144(a) and qualified redevelopment bonds under section 144(c), except that §1.144-2 does not apply to the requirements for qualified small issue bonds

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under section 144(a)(4) (relating to the limitation on capital expenditures) or under section 144(a)(10) (relating to the aggregate limit of tax-exempt bonds per taxpayer).

(c) *Effective dates.* For effective dates of §§1.144-0 through 1.144-2, see §1.141-16.

[T.D. 8712, 62 FR 2303, Jan. 16, 1997]

§ 1.144-2 Remedial actions.

The remedial action rules of §1.142-2 apply to qualified small issue bonds issued under section 144(a) and to qualified redevelopment bonds issued under section 144(c), for this purpose treating those bonds as exempt facility bonds and the qualifying purposes for those bonds as exempt facilities.

[T.D. 8712, 62 FR 2303, Jan. 16, 1997]

§ 1.145-0 Table of contents.

This section lists the captioned paragraphs contained in §§1.145-1 and 1.145-2.

§ 1.145-1 Qualified 501(c)(3) bonds.

(a) Overview.

(b) Scope.

(c) Effective dates.

§ 1.145-2 Application of private activity bond regulations.

(a) In general.

(b) Modification of private business tests.

(c) Exceptions.

(1) Certain provisions relating to governmental programs.

(2) Costs of issuance.

[T.D. 8712, 62 FR 2303, Jan. 16, 1997]

§ 1.145-1 Qualified 501(c)(3) bonds.

(a) *Overview.* Interest on a private activity bond is not excludable from gross income under section 103(a) unless the bond is a qualified bond. Under section 141(e)(1)(G), a qualified 501(c)(3) bond issued under section 145 is a qualified bond. Under section 145, a qualified 501(c)(3) bond is any bond issued as a part of an issue that satisfies the requirements of sections 145(a) through (d).

(b) *Scope.* Sections 1.145-0 through 1.145-2 apply for purposes of section 145(a).

(c) *Effective dates.* For effective dates of §§1.145-0 through 1.145-2, see §1.141-15.

[T.D. 8712, 62 FR 2303, Jan. 16, 1997]